INTERIM REPORT 2016

中期報告

金 利 來 集 團 有 限 公 司

GOLDLION HOLDINGS LIMITED

股份代號 : STOCK CODE : 00533

CHAIRMAN'S STATEMENT

OPERATING RESULTS

Turnover and gross profit

There were no signs of economic recovery in China Mainland during the period under review. The overall market condition remained sluggish, and the Group's business was deeply affected. The Group recorded a turnover of HK$689,405,000 in the six months period ended 30th June 2016, or a drop of 6%, over the same period last year. The drop in turnover was mainly due to the decrease in apparel sales of China Mainland and Singapore, as well as the rental and building management income of China Mainland. The decrease in turnover of the Group's China Mainland business was mainly related to the devaluation of the Renminbi ("RMB") by about 6% over the same period last year. As for licensing income, steady increment was noted for the period.

Gross profit for the period was HK$418,754,000, representing a decrease of about 6%, from HK$444,270,000 of the same period last year, which was broadly in line with the drop in total turnover. The overall gross profit margin was 60.7%, broadly comparable to 60.6% of the same period last year. Gross profit margin for the apparel business in China Mainland was 54.6%, representing a drop of 1.2 percentage points. This was mainly due to the reversal of impairment for inventories of HK$20,305,000 recorded in the same period last year. The gross profit margin would be 3.3 percentage points higher if the above impact was excluded. The increase was mainly due to less discounted sales and effective product cost control during the period.

Operating expenses and operating profit

Selling and marketing costs for the period were HK$168,403,000, representing a decrease of 5%, which was mainly attributable to the devaluation of RMB by about 6% over the same period last year. The growth in sales of the e-commerce operations in China during the period caused the increases in relevant commission expenses. Meanwhile, the Group closed certain self-operated retail shops and reduced sample design expense, resulting in a reduction in relevant costs. Percentage of selling and marketing costs to the overall turnover was 24.4%, broadly comparable to 24.1% of the same period last year.

Administrative expenses for the period were HK$88,032,000, decreased by 10% from the same period last year. Apart from the devaluation of RMB during the period, decrease in administrative expenses was also a result of the Group's stringent cost control measures during the period.

During the period, the Group recorded fair value gains on investment properties of HK$73,457,000, compared with HK$71,781,000 of the same period last year.

Operating profit for the period amounted to HK$235,776,000 compared with HK$241,704,000 of the same period last year, representing a decrease of 2%. The operating profit margin was approximately 34.2%, or a slight increase of 1.2 percentage points over 33% of the same period last year.

CHAIRMAN'S STATEMENT *(continued)*

OPERATING RESULTS *(continued)*

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the period was HK$202,238,000, decreased by 3% from HK$208,974,000 of the same period last year.

Profit for the period would be HK$136,928,000 if fair value gains after tax on investment properties of HK$65,310,000 were excluded. Such profit marked a decrease of 5% from HK$143,625,000 of the same period last year if the fair value gains after tax on investment properties of HK$65,349,000 were excluded.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

The period under review did not witness any alleviation of downside pressures on the China economy. With GDP growth slowing down, the RMB devaluating and consumer sentiment dampening, market conditions generally remained weak.

In China Mainland, the Group has continued to conduct its apparel operation primarily through wholesaling to distributors in various cities and provinces, through self-operated retail shops (including factory outlets) located mainly in Guangzhou, Shanghai, Beijing and Chongqing, as well as through e-commerce. Owing to RMB devaluation, overall turnover for the period amounted to HK$505,863,000, representing a year-on-year decrease of approximately 5%. In RMB, the turnover was comparable with that of the same period last year. The fall in wholesaling was offset by the growth in sales from e-commerce and self-operated retail businesses for the period.

Regarding our wholesaling operation, sales of the Group's distributors continued to be adversely affected by the market slump. Profit margin narrowed further as our distributors were faced with demands from department stores to pay higher expenses and to offer greater discounts to customers. As a result, distributors were largely conservative about placing orders on our 2016 spring and summer products. The Group therefore recorded a decrease in sales to our distributors of 14% in RMB from last year. During the period, despite offering less inventory return and exchange arrangement to the distributors, the Group has continued to provide appropriate assistance in order to further expand sales for the Goldlion brand.

Regarding self-operated retail shops, after taking over 15 retail shops from our local distributor in Chongqing in May last year, sales through self-operated retail shops (excluding factory outlets) rose by approximately 6% in RMB when compared with the same period last year. In particular, sales in Guangzhou increased following the addition of one counter whereas sales in Shanghai decreased following the closure of five counters. Sales of comparable retail outlets in Guangzhou and Beijing both registered single-digit decreases while Shanghai registered a slight increase.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Apparel Business *(continued)*

China Mainland and Hong Kong SAR Markets *(continued)*

Owing to smaller discounts and a higher proportion of special selected items on offer, sales of our factory outlets achieved an increase of approximately 2%. In spite of the unfavorable market conditions, greater operating efficiency has brought about improved performance in this business unit when compared with the same period last year.

The Group's e-commerce had previously focused on clearing off-season inventories. Over the past few years, a large number of such products were sold and off-season inventories suitable for sale were depleting. In order not to stifle business development, the Group shifted its focus to special selected items instead. Coupled with the rapid development of e-commerce in the China Mainland market, there was an increase of 90% in RMB in relevant sales during the period.

At the end of the period, the Group had approximately 990 retail outlets (including factory outlets) in China, among which about 100 were self-operated. The total number of retail outlets was about 30 less than that at the end of last year owing to the closure of certain low performers.

During the period, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Since the middle of last year, the licensees have gradually been granted licenses for e-distribution of such products as well. Inclusive of recognition of e-commerce turnover license fees, licensing income registered a growth of approximately 9% over the same period last year to HK$42,753,000 in the first half of this year.

Singapore and Malaysia Markets

To counteract the challenging market and to enhance our brand image, a number of readjustments were made in our business strategy for the Singapore market in the second half of last year. These included the opening of several redefined shops specializing in more stylish products so as to cater for a more elitist clientele. In the course of implementation of such measures, some sales were lost in the interim.

The weak local retail market and the decline in both tourist number and spending were additional sources of pressure on the Group's operation. During the period, overall sales of the Group's businesses in Singapore and Malaysia amounted to HK$44,341,000, representing a year-on-year decrease of approximately 29%.

Sales of comparable retail outlets in Singapore decreased by about 21% in local currency when compared with the same period last year. At the end of the period, there were a total of 12 shops and 22 counters in Singapore, or two shops more than that at the end of last year. In Malaysia, the number of outlets was 19, or down by two over the end of last year.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW (continued)

Property Investment and Development

The Group's investment property portfolio had no significant changes since the end of last year and business has continued to remain stable during the period. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$73,457,000. These included the respective gains of HK$40,868,000 and HK$11,800,000 from investment properties in Hong Kong and Shenyang, the growth of which was largely attributable to the upward rental trend in the respective properties held by the Group.

Rental income and building management fees for the period amounted to HK$76,939,000 and HK$19,509,000 respectively, representing a decrease of around 3% in total over the corresponding period last year. This was mainly attributable to the devaluation of the RMB by about 6%. Besides, under China Mainland's new tax reform policy that came into effect in May, Business Tax (previously charge to expenses) is replaced with Value Added Tax (deduct directly from income), resulting in a reduction in income. However, such change has no significant impact on overall profit.

Although the local economy was slowing down and office rentals were under adjustment pressures, leasing of Goldlion Digital Network Centre in Tianhe, Guangzhou, continued to remain stable. Owing to a break between leases for some premises, overall occupancy rate fell to around 92%. When compared with the same period last year, rental income and building management fees in RMB decreased by approximately 3%.

In Shenyang, leasing of Goldlion Commercial Building was likewise stable, with overall occupancy rate maintained at 100%. With a higher amount of turnover rental received from a major tenant having satisfactory business performance, rental income and building management fees in RMB for the period increased by approximately 12% over the corresponding period last year.

In Hong Kong, on account of higher rental levels under new leases, total rental income and building management fees of the Group's local properties increased year-on-year by approximately 6%. As at the end of the review period, all local properties held by the Group were leased out. Regarding Goldlion Holdings Centre in Shatin, following approval of our revitalization project by the Town Planning Board towards the end of last year, an application for waiver for land use conversion was submitted to the Lands Department and the approval is still in process.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, the project is currently at the initial planning phase owing to resettlement delays. Caution will be exercised when executing the development plan in light of the uncertainties in China Mainland's property market.

CHAIRMAN’S STATEMENT *(continued)*

PROSPECTS

Financial markets worldwide have been volatile since the Brexit referendum in late June. With RMB under pressure, great downside risks in the China Mainland economy together with the widespread heavy rain and flooding in July, business environment in the second half of the year is expected to remain very tough.

In China Mainland, apparel wholesaling has yet to show any sign of picking up while it is unlikely that the Group’s business of self-operated retail shops and factory outlets will achieve any major breakthrough. On the bright side, remarkable growth is expected to continue for our e-commerce business in the second half of the year in anticipation of the peak online shopping season and satisfactory sales of special selected items.

At the Group’s Mainland 2017 spring and summer collections sales fair held in late July, a higher return and exchange ratio was offered. Taking into account the implications of returns and exchanges, the net order amount was slightly higher than that for the corresponding season last year. The goods ordered will be delivered during the first half of the coming year.

The Group will continue to develop better quality, faster moving and competitive products to the market. The Group will also launch a series of publicity campaigns with “It’s a man’s world” as theme in order to enhance the visibility of our brand.

In Singapore, unfavorable conditions are expected to continue in the second half of the year. Under the circumstances, the Group will consolidate its local operations and implement cost control measures while providing quality products and enhancing brand image.

As for property investment, the Group will continue to enhance the leasing potential of the properties on hand for maintaining a steady growth in rental income. In Hong Kong, detailed planning for the revitalization of Goldlion Holdings Centre in Shatin will begin once relevant approval procedures are cleared. In Meizhou, the Group will commence works when appropriate based on the development plan.

CHAIRMAN'S STATEMENT *(continued)*

FINANCIAL POSITION

As at 30th June 2016, the Group had cash and bank balances of approximately HK$1,220,304,000, which was HK$8,633,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$141,985,000 and received interest income of HK$16,775,000. However, the Group also paid dividends of HK$137,496,000, purchased fixed assets of HK$5,339,000 and recorded decrease in cash and bank balances from foreign exchange rate changes of HK$7,364,000. As at 30th June 2016, the Group did not have any bank loans or overdrafts.

As at 30th June 2016, the Group's current assets and liabilities were HK$1,642,089,000 and HK$321,029,000 respectively, with current ratio at approximately 5.1. Total current liabilities were 8.8% of the average capital and reserves attributable to owners of the Company of HK$3,641,554,000.

As at 30th June 2016, the Group did not have any significant contingent liabilities or capital commitments and there were no charges on any of the Group's assets.

ACKNOWLEDGEMENT

On behalf on the Board, I would like to extend my gratitude to our staff for their dedication and continuous support.

Dr. Tsang Hin Chi
Chairman

Hong Kong, 19th August 2016

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF
GOLDLION HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 8 to 26, which comprises the condensed consolidated balance sheet of Goldlion Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2016 and the related condensed consolidated income statement, the condensed consolidated statements of comprehensive income and changes in equity, and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th August 2016

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2016 and 31st December 2015

	Note	Unaudited 30th June 2016 HK$'000	Audited 31st December 2015 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	29,698	30,894
Property, plant and equipment	6	175,867	184,110
Investment properties	6	2,455,903	2,395,188
Deferred income tax assets		53,812	60,659
		2,715,280	2,670,851
Current assets			
Property under development held for sale	7	126,077	127,155
Inventories		160,909	200,890
Trade receivables	8	58,097	82,491
Prepayments, deposits and other receivables	9	72,473	48,804
Tax recoverable		4,229	1,020
Bank deposits		956,929	974,930
Cash and cash equivalents		263,375	236,741
		1,642,089	1,672,031
Total assets		4,357,369	4,342,882
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	10	1,101,358	1,101,358
Reserves		2,563,149	2,517,243
Total equity		3,664,507	3,618,601
LIABILITIES			
Non-current liabilities			
Accruals		418	165
Deferred income tax liabilities		371,415	360,300
		371,833	360,465
Current liabilities			
Trade payables	11	25,930	23,954
Other payables and accruals		279,163	325,435
Current income tax liabilities		15,936	14,427
		321,029	363,816
Total liabilities		692,862	724,281
Total equity and liabilities		4,357,369	4,342,882

The notes on pages 13 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2016

		Unaudited Six months ended 30th June 2016	30th June 2015
	Note	*HK$'000*	*HK$'000*
Turnover	*5*	689,405	732,673
Cost of sales	*13*	(270,651)	(288,403)
Gross profit		418,754	444,270
Other gains	*12*	73,457	71,781
Selling and marketing costs	*13*	(168,403)	(176,641)
Administrative expenses	*13*	(88,032)	(97,706)
Operating profit		235,776	241,704
Interest income		13,515	18,922
Profit before income tax		249,291	260,626
Income tax expense	*14*	(47,053)	(51,652)
Profit for the period attributable to owners of the Company		202,238	208,974
Earnings per share		*HK cents*	*HK cents*
– Basic and diluted	*16*	20.59	21.28

The notes on pages 13 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2016

	Unaudited Six months ended 30th June 2016	 30th June 2015
	HK$'000	*HK$'000*
Profit for the period	202,238	208,974
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	(18,836)	(15,128)
Other comprehensive income for the period	(18,836)	(15,128)
Total comprehensive income for the period attributable to owners of the Company	183,402	193,846

The notes on pages 13 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2016

	Unaudited			
	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1st January 2015	1,101,358	428,439	2,044,838	3,574,635
Comprehensive income				
Profit for the period	–	–	208,974	208,974
Other comprehensive income				
Currency translation differences	–	(15,128)	–	(15,128)
Total comprehensive income for the period	–	(15,128)	208,974	193,846
Transactions with owners				
Appropriation to reserves	–	12,357	(12,357)	–
Dividend relating to 2014	–	–	(157,138)	(157,138)
Total transactions with owners	–	12,357	(169,495)	(157,138)
Balance at 30th June 2015	1,101,358	425,668	2,084,317	3,611,343
Balance at 1st January 2016	1,101,358	308,085	2,209,158	3,618,601
Comprehensive income				
Profit for the period	–	–	202,238	202,238
Other comprehensive income				
Currency translation differences	–	(18,836)	–	(18,836)
Total comprehensive income for the period	–	(18,836)	202,238	183,402
Transactions with owners				
Dividend relating to 2015	–	–	(137,496)	(137,496)
Total transactions with owners	–	–	(137,496)	(137,496)
Balance at 30th June 2016	1,101,358	289,249	2,273,900	3,664,507

The notes on pages 13 to 26 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2016

		Unaudited Six months ended 30th June 2016	Unaudited Six months ended 30th June 2015
	Note	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Cash generated from operations		170,126	247,711
Income tax paid		(28,141)	(62,476)
Net cash generated from operating activities		141,985	185,235
Cash flows from investing activities			
Additions to investment properties	*6*	(927)	(156)
Purchase of property, plant and equipment	*6*	(4,412)	(1,781)
Proceeds from disposals of property, plant and equipment		72	800
Decrease/(increase) in bank deposits with maturity over 3 months		13,615	(43,873)
Interest received		16,775	17,658
Net cash generated from/(used in) investing activities		25,123	(27,352)
Cash flows from financing activity			
Dividends paid to owners of the Company		(137,496)	(157,138)
Net cash used in financing activity		(137,496)	(157,138)
Net increase in cash and cash equivalents		29,612	745
Cash and cash equivalents at 1st January		236,741	357,651
Effect of foreign exchange rate changes		(2,978)	(8,107)
Cash and cash equivalents at 30th June		263,375	350,289

The notes on pages 13 to 26 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1. General information

Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") distribute and manufacture garments, leather goods and accessories, license the brand name, and hold and develop properties for investment and development purposes.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 19th August 2016.

This condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31st December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

2. *Basis of preparation and accounting policies*

This condensed consolidated interim financial information for the six months ended 30th June 2016 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2015, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no new standards or amended standards that are effective for the first time for this interim period that could be expected to have a significant impact on this Group.

3. *Financial risk management*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2015.

There have been no changes in risk management policies since year end.

4. *Critical accounting estimates and judgements*

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2015.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

5. *Operating Segments*

	Six months ended 30th June 2016	Six months ended 30th June 2015
	HK$'000	*HK$'000*
Analysis of turnover		
Sales of goods	550,204	593,671
Gross rental income from investment properties	76,939	78,582
Building management income	19,509	21,031
Licensing income	42,753	39,389
	689,405	732,673

The Group reports the result of its operating segments based on the internal reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different marketing strategies. The following summary describes the operations of each of the Group's reportable segments:

1) Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of the brand name in China Mainland and Hong Kong SAR;

2) Apparel in Singapore and Malaysia – Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia;

3) Property investment and development – Investment in and development of properties in China Mainland and Hong Kong SAR.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

5. *Operating Segments* *(continued)*

An analysis of the Group's reportable segment profit before income tax and other selected financial information for the period by operating segment is as follows:

	Six months ended 30th June 2016				
	Apparel in China Mainland and Hong Kong SAR	**Apparel in Singapore and Malaysia**	**Property investment and development**	**Eliminations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	548,616	44,341	96,448	–	689,405
Inter-segment sales	–	–	3,635	(3,635)	–
	548,616	44,341	100,083	(3,635)	689,405
Segment results	140,486	(5,083)	135,186		270,589
Unallocated costs					(21,298)
Profit before income tax					249,291
Income tax expense					(47,053)
Profit for the period					202,238

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

5. *Operating Segments* (continued)

	Six months ended 30th June 2015				
	Apparel in China Mainland and Hong Kong SAR	Apparel in Singapore and Malaysia	Property investment and development	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	570,308	62,752	99,613	–	732,673
Inter-segment sales	–	–	3,921	(3,921)	–
	570,308	62,752	103,534	(3,921)	732,673
Segment results	149,500	1,009	138,557		289,066
Unallocated costs					(28,440)
Profit before income tax					260,626
Income tax expense					(51,652)
Profit for the period					208,974

Central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are included as unallocated costs. Taxation charge is not allocated to reportable segments.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

6. *Capital expenditure*

	Land use rights	Property, plant and equipment	Investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening net book amount as at 1st January 2015	29,026	208,832	2,317,794	2,555,652
Additions	–	1,781	156	1,937
Disposals	–	(800)	–	(800)
Amortization and depreciation *(note 13)*	(973)	(13,138)	–	(14,111)
Fair value gains *(note 12)*	–	–	71,781	71,781
Exchange differences	(72)	(1,451)	(6,431)	(7,954)
Closing net book amount as at 30th June 2015	27,981	195,224	2,383,300	2,606,505
Opening net book amount as at 1st January 2016	30,894	184,110	2,395,188	2,610,192
Additions	–	4,412	927	5,339
Disposals	–	(4)	–	(4)
Amortization and depreciation *(note 13)*	(1,030)	(12,011)	–	(13,041)
Impairment charges *(note 13)*	–	(85)	–	(85)
Fair value gains *(note 12)*	–	–	73,457	73,457
Exchange differences	(166)	(555)	(13,669)	(14,390)
Closing net book amount as at 30th June 2016	29,698	175,867	2,455,903	2,661,468

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

7. Property under development held for sale

The Group's interests in property under development held for sale are analyzed as follows:

	As at 30th June 2016	As at 31st December 2015
	HK$'000	*HK$'000*
Land use rights	120,815	122,819
Development costs	5,262	4,336
	126,077	127,155

The property under development held for sale is located in Meixian Area, China Mainland. Under the said Land Use Rights Grant Contract entered between the Meixian Bureau of Land and the Group on 24th January 2014, the delay in commencing construction works of the project after 18th June 2014 may be subject to a penalty. Due to the fact that handover of the land has been delayed and after taking into account of an independent legal advice, the Directors are of the view that the imposition of a penalty by the relevant authority is remote.

The amount of property under development held for sale expected to be completed and realized within the Group's normal operating cycle is HK$126,077,000 (31st December 2015: HK$127,155,000).

8. Trade receivables

The Group grants credit terms to customers ranging from cash on delivery, letter of credit or 30 to 90 days after delivery. An analysis of the trade receivables, net of provision, by age is as follows:

	As at 30th June 2016	As at 31st December 2015
	HK$'000	*HK$'000*
1-30 days	43,153	60,564
31-90 days	10,378	12,371
Over 90 days	4,566	9,556
	58,097	82,491

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

9. *Prepayments, deposits and other receivables*

	As at 30th June 2016	As at 31st December 2015
	HK$'000	*HK$'000*
Purchase deposits *(note)*	43,061	8,888
Prepayments	5,494	4,696
General deposits	8,955	7,221
Interest receivable	9,763	13,023
VAT recoverable	44	9,603
Others	5,156	5,373
Total of prepayments, deposits and other receivables	72,473	48,804

Note:

Purchase deposits represent the amounts paid by the Group in advance to suppliers mainly for the apparel operation in its ordinary course of business.

10. *Share capital*

	2016		2015	
	Number of shares	Share capital	Number of shares	Share capital
	(thousands)	*HK$'000*	*(thousands)*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 1st January and 30th June	982,114	1,101,358	982,114	1,101,358

11. *Trade payables*

Trade payables are aged as follows:

	As at 30th June 2016	As at 31st December 2015
	HK$'000	*HK$'000*
1-30 days	22,815	18,882
31-90 days	1,560	3,739
Over 90 days	1,555	1,333
	25,930	23,954

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

12. *Other gains*

	Six months ended 30th June 2016	Six months ended 30th June 2015
	HK$'000	*HK$'000*
Fair value gains on investment properties *(note 6)*	73,457	71,781

13. *Expenses by nature*

	Six months ended 30th June 2016	Six months ended 30th June 2015
	HK$'000	*HK$'000*
Cost of inventories sold	245,485	285,085
Provision for/(reversal of) impairment for inventories	4,604	(19,000)
Direct operating expenses arising from investment properties that generated rental income	19,594	21,211
Amortization of land use rights *(note 6)*	1,030	973
Depreciation of property, plant and equipment *(note 6)*	12,011	13,138
Impairment of property, plant and equipment *(note 6)*	85	–
Staff costs including directors' emoluments	111,029	114,404
Other expenses	133,248	146,939
	527,086	562,750
Representing:		
Cost of sales	270,651	288,403
Selling and marketing costs	168,403	176,641
Administrative expenses	88,032	97,706
	527,086	562,750

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

14. *Income tax expense*

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 25% (2015: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the condensed consolidated income statement represents:

	Six months ended	
	30th June 2016	**30th June 2015**
	HK$'000	*HK$'000*
Current tax		
– Hong Kong	960	869
– PRC enterprise income tax	25,481	35,986
– Overseas taxation	–	176
Deferred income tax	20,612	14,621
Total income tax expense	47,053	51,652

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

15. Dividend

	Six months ended	
	30th June 2016	**30th June 2015**
	HK$'000	*HK$'000*
Interim dividend of 6.5 HK cents (2015: 7.0 HK cents) per ordinary share	63,837	68,748

The final dividend for the year ended 31st December 2015 of 14.0 HK cents (2014 final: 16.0 HK cents) per ordinary share, totalling HK$137,496,000 was paid in June 2016 (2014 final: HK$157,138,000).

At a meeting held on 19th August 2016, the Directors declared an interim dividend of 6.5 HK cents per share. This interim dividend has not been reflected as a dividend payable in the condensed interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31st December 2016.

16. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the Company of HK$202,238,000 (six months ended 30th June 2015: HK$208,974,000) and the number of ordinary shares in issue of 982,114,035 (six months ended 30th June 2015: 982,114,035) during the period.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the six months ended 30th June 2016 and 2015.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

17. *Commitments*

(a) Capital commitments

	As at 30th June 2016	As at 31st December 2015
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	55	–
Investment property		
Contracted but not provided for	271	508

(b) At 30th June 2016, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	As at 30th June 2016	As at 31st December 2015
	HK$'000	*HK$'000*
Rental receivables		
– not later than one year	137,186	136,873
– later than one year and not later than five years	147,229	169,385
– later than five years	6,922	9,948
	291,337	316,206
Rental payables		
– not later than one year	13,610	9,744
– later than one year and not later than five years	18,093	8,708
	31,703	18,452

Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues are not included as future minimum lease payments.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

18. Related party transactions

The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and other direct descendants of Dr. Tsang Hin Chi and Madam Wong Lei Kuan) which, together with 5.49% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.17% of the Company's issued shares at 30th June 2016. The remaining 31.83% of the Company's issued shares are widely held.

The following transactions were carried out with related parties:

			Six months ended	
			30th June 2016	**30th June 2015**
		Note	*HK$'000*	*HK$'000*
(a)	Sales of services:			
	Rental received from related companies	*(i)*	581	581
	Building management fees received from related companies	*(ii)*	201	213
(b)	Purchase of services:			
	Professional fees paid to a related company	*(iii)*	160	160
(c)	Sale of asset:			
	Disposal of a motor vehicle to a related company	*(iv)*	–	800

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

18. Related party transactions *(continued)*

Notes:

(i) Rental was received from Guangzhou World Trade Center Club Company Limited ('GWTCCL') for lease of a business center and facilities therein located at Goldlion Digital Network Centre in Guangzhou, and from China Hong Kong Digital Audiovisual Management Company Limited ('CHKDAM') for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental was charged at rates based on the relevant lease agreements entered. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL and CHKDAM as he is a major shareholder of the holding company of GWTCCL and CHKDAM. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(ii) Building management fees were received under normal commercial terms from GWTCCL for the provision of building management services for a business center at Goldlion Digital Network Centre, and from CHKDAM for the provision of building management services for a unit located at Goldlion Holdings Centre in Hong Kong. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL and CHKDAM as he is a major shareholder of the holding company of GWTCCL and CHKDAM. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(iii) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fee of HK$160,000 (six months ended 30th June 2015: HK$160,000) was paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and a principal shareholder of Equitas Capital Limited.

(iv) On 9th June 2015, the Group entered into an agreement with Access Step Limited to dispose a motor vehicle at a consideration of HK$800,000, with a net carrying value of HK$800,000. Mr. Tsang Chi Ming, Ricky, the Deputy Chairman and Chief Executive Officer of the Company, is the sole shareholder and director of Access Step Limited.

(d) Period-end balances arising from purchase of services

	As at 30th June 2016	**As at 30th June 2015**
	HK$'000	*HK$'000*
Accruals		
– Equitas Capital Limited	160	160

(e) Key management compensation amounted to HK$22,001,000 for the six months ended 30th June 2016 (six months ended 30th June 2015: HK$25,751,000).

SUPPLEMENTARY INFORMATION

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 6.5 HK cents per share (2015: 7.0 HK cents per share) for the year ending 31st December 2016, totalling HK$63,837,000 (2015: HK$68,748,000), which is expected to be payable on or about 20th September 2016 to shareholders whose names appear on the Register of Members as at 9th September 2016.

CLOSURE OF REGISTER OF MEMBER

For the purpose of determining shareholders' entitlement to the proposed dividend, the Register of Members of the Company will be closed on 8th September 2016 and 9th September 2016 (two days), during which period no transfer of shares will be registered.

In order to qualify for the above-mentioned interim dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Wednesday, 7th September 2016 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

SHARE OPTIONS

At the Annual General Meeting of the Company held on 23rd May 2014, the shareholders approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in service of the Group and other persons who may make a contribution to the Group.

During the six months ended 30th June 2016, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.

SUPPLEMENTARY INFORMATION *(continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 30th June 2016, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated companies (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Ordinary shares of the Company at 30th June 2016

		Number of shares held				
Directors		**Personal interests**	**Family interests** *(note(a))*	**Other interests** *(note(b))*	**Total**	**Percentage to total issued share capital**
Tsang Hin Chi	Long positions	–	1,210,000	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–	–
Tsang Chi Ming, Ricky	Long positions	1,404,000	–	613,034,750	614,438,750	62.56%
	Short positions	–	–	–	–	–
Wong Lei Kuan	Long positions	1,210,000	–	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–	–

Notes:

(a) Madam Wong Lei Kuan is the spouse of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "Personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.

(b) The shareholdings disclosed by Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan under the heading "Other interests" in the above table refer to the same shares which were held by Hin Chi Family Management Limited (being trustee of the Tsang Hin Chi (2007) Family Settlement) as disclosed in the paragraph headed "Substantial shareholders" below.

SUPPLEMENTARY INFORMATION *(continued)*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION *(continued)*

Save as disclosed above, as at 30th June 2016, none of the Directors and the Chief Executive of the Company has or is deemed to have any interest or short position in the shares, underlying shares and debentures of the Company, its specified undertakings and its other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the six months ended 30th June 2016 was the Company, its subsidiaries or its other associated corporations a party to any arrangements to enable the Directors and the Chief Executive of the Company (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company or its specified underlying or other associated corporation.

Other than those interests and short positions disclosed above, the Directors and Chief Executives also hold shares of certain subsidiaries in trust for the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 30th June 2016, the Company has been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name of holder of securities	Type of securities		Number of shares held	Percentage to total issued share capital
Hin Chi Family Management Limited *(note)*	Ordinary shares	Long positions Short positions	613,034,750 –	62.42% –
Top Grade Holdings Limited *(note)*	Ordinary shares	Long positions Short positions	613,034,750 –	62.42% –
Silver Disk Limited *(note)*	Ordinary shares	Long positions Short positions	160,616,000 –	16.35% –
Tsang Hin Chi Charities (Management) Limited	Ordinary shares	Long positions Short positions	53,880,750 –	5.49% –

Note:

Hin Chi Family Management Limited as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited ("Top Grade"). Top Grade was interested in 613,034,750 shares in the Company including 160,616,000 shares held by Silver Disk Limited, a wholly owned subsidiary of Top Grade.

SUPPLEMENTARY INFORMATION *(continued)*

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the six months ended 30th June 2016.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2016, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

AUDIT COMMITTEE

The Company has formed an Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee has four members comprising Mr. Li Ka Fai, David (Chairman), Mr. Nguyen, Van Tu Peter (Deputy Chairman) and Dr. Lau Yue Sun, all of them being independent non-executive Directors, and Mr. Ng Ming Wah, Charles, being a non-executive Director of the Company.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30th June 2016. At the request of the Board of Directors, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

BOARD OF DIRECTORS

As at the date of this report, the directors of the Company comprise Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan as executive Directors; Mr. Ng Ming Wah, Charles as a non-executive Director; and Dr. Lau Yue Sun, Mr. Li Ka Fai, David and Mr. Nguyen, Van Tu Peter as independent non-executive Directors.

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